

**GRAINGER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

RUTLEDGE, TENNESSEE

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

For Fiscal Year Ended June 30, 2016

**T. JOY WILDER
CERTIFIED PUBLIC ACCOUNTANT
MORRISTOWN, TENNESSEE**

**NEW MARKET UTILITY DISTRICT
DECEMBER 31, 2016
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Independent Auditor's Report

Board of Directors
Grainger County Emergency Communications District
Rutledge, Tennessee

Report on the Financial Statements

I have audited the accompanying statement of net position of Grainger County Emergency Communications District (the District), a component unit of Grainger County, Tennessee, as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 6 and 7, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date* in 2015. My opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 and the Schedule of Changes in the District's Net Pension Liability (Asset) Based on Participation in the Public Employee Pension Plan of TCRS on page 24 and the Schedule of the District's Contributions Based on Participation in the Public Employee Pension Plan of TCRS on page 25 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2016 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Morristown
December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grainger County Emergency Communications District (the District) provides an overview of the Utility's financial activities for the fiscal year ended 6/30/2016. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) establishes governmental accounting and financial reporting principles.

Using This Annual Report

This annual report consists of a series of financial statements. The financial statements include the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. A cash flow statement prepared in the direct method is also included in this report. The Cash Flow Statement is a required statement for the basic financial statements.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or when expenses are paid.

Table 1

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase(Decrease)</u>	<u>%</u>
Current Assets	\$ 806,101	\$ 776,932	\$ 29,169	3.75%
Capital Assets	243,948	302,497	(58,549)	-19.35%
Other Assets	<u>23,546</u>	<u>45,351</u>	<u>(21,805)</u>	<u>-48.09%</u>
 Total Assets	 <u>\$1,073,595</u>	 <u>\$1,124,780</u>	 <u>\$(51,185)</u>	 <u>- 4.56%</u>
 Deferred outflows of resources	 <u>\$ 26,270</u>	 <u>\$ 6,978</u>	 <u>\$ 19,292</u>	 <u>276.46%</u>
 Current liabilities	 <u>\$ 16,763</u>	 <u>\$ 14,695</u>	 <u>\$ 1,068</u>	 <u>7.26%</u>
 Total liabilities	 <u>\$ 16,763</u>	 <u>\$ 14,695</u>	 <u>\$ 1,068</u>	 <u>7.26%</u>
 Deferred inflows of resources	 <u>\$ 11,741</u>	 <u>\$ 15,655</u>	 <u>\$ (3,914)</u>	 <u>-25.00%</u>
 Investment in capital assets	 \$ 243,948	 \$ 302,497	 \$ (58,549)	 \$-19.35%
Unrestricted	<u>828,413</u>	<u>798,911</u>	<u>29,502</u>	<u>3.69%</u>
 Total net position	 <u>\$1,072,361</u>	 <u>\$1,101,408</u>	 <u>\$ (29,047)</u>	 <u>\$ 2.63%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District as a Whole

The District's total net position was \$1,072,361 at the end of the fiscal year ending June 30, 2016. This is a decrease of (29,047) from last year. My analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the District. The net assets are broken down into net investment in capital assets and unrestricted assets. The net investment in capital assets is calculated by taking the cost of capital assets less depreciation less debt owed on these capital assets. The amount net position shows the District's ability to finance operations.

Table 2

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase/Decrease</u>	<u>% of Change</u>
Operating Revenue	\$ 396,046	\$ 313,737	\$ 82,309	26.00%
Non-operating Revenue	266,250	341,851	(75,604)	-22.00%
Total Revenue	662,296	655,588	6,708	1.00%
Salaries and Wages	396,967	369,382	27,585	7.46%
Employee Benefits	83,947	77,251	6,696	8.66%
Contracted services	80,297	82,251	(1,954)	-2.37%
Supplies and materials	16,832	13,931	2,901	2.68%
Depreciation expense	90,033	87,096	2,937	3.37%
Other charges	23,267	30,091	(6,824)	22.67%
Total expenses	691,343	660,002	31,341	4.24%
Change in Net Position	(29,047)	(4,414)	(24,633)	-558.00%
Beginning Net Position as previously stated	-	1,071,999	-	-
Prior period adjustment	-	33,823	-	-
Beginning net position, restated	1,101,408	1,105,822	-	-
Ending net position	\$ 1,072,361	\$ 1,101,408	(29,047)	-2.64%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets and Debt Administration

At the end of the fiscal year, the Utility had \$ 243,946 invested in a broad range of capital assets. This amount represents a net decrease of \$ (58,549) in capital assets from last year. The additions to capital assets includes the following:

Communication Equipment	\$ 29,764
Furniture & Fixtures	361
Office Equipment	1,358

Total	\$ 31,483
	=====

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital Assets, net of depreciation	\$ 243,946	\$ 302,497

Debt

The District has no outstanding debt at the fiscal year end, and there are no plans to issue debt as of the date of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

Assets

Current assets:	
Cash and cash equivalents	\$ 604,805
Total current assets	<u>604,805</u>
Segregated assets:	
Investments – Certificate of deposit	<u>201,296</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$ 291,424	<u>243,948</u>
Other assets:	
Net pension asset	<u>23,546</u>
Total Assets	<u>1,073,595</u> =====

Deferred Outflows of Resources

Deferred Outflows related to pensions	<u>26,270</u>
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Liabilities

Current liabilities:	
Accrued employee leave	13,193
Other current liabilities	2,570
Total liabilities	<u>15,763</u>

Deferred Inflows of Resources

Pension changes in investment earnings	<u>11,741</u>
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The accompanying notes are an integral
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016

Net Position

Net position:	
Investment in capital assets	243,948
Unrestricted	828,413
Total net position	<u>\$ 1,072,361</u> =====

The accompanying notes are an integral
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

Operating revenue:	
TECB distribution of 911 surcharged (base amount)	\$ 388,560
TECB excess fund distribution	7,486
	<hr/>
	396,046
Operating expenses:	
Salaries and wages	396,967
Employee benefits	83,947
Contracted services	80,297
Supplies and materials	16,832
Other charges	23,267
	<hr/>
	601,310
Operating margin (loss) before depreciation	<hr/>
	(205,264)
Depreciation expense	90,033
Operating margin (loss)	<hr/>
	(295,297)
Non-operating revenue (expense)	<hr/>
Interest income	2,130
Contribution – primary government	212,500
Contribution – municipalities	40,250
TECB – reimbursements	11,136
Miscellaneous income	234
	<hr/>
	266,250
Change in net position	<hr/>
	(29,047)
Net position, beginning of year	1,101,408
Net position, end of year	<hr/>
	\$ 1,072,361
	<hr/>

The accompanying notes are an integral
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 395,710
Miscellaneous income	234
Cash paid to suppliers for goods and services	(204,343)
Cash paid to employees for services provided	<u>(396,967)</u>
Net cash used by operating activities	<u>(205,366)</u>
Cash flows from noncapital financing activities:	
Cash received from municipal governments	40,250
State Emergency Board – reimbursements	11,136
Contribution from primary government	<u>212,500</u>
Net cash provided by noncapital financing activities	<u>262,592</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions	<u>(31,483)</u>
Net cash used by capital and related financing activities	<u>(31,483)</u>
Cash flows from investing activities:	
Interest income	<u>2,130</u>
Net cash used by investing activities	<u>2,130</u>
Net Increase in cash and cash equivalents	27,873
Cash and cash equivalents, beginning of year	<u>576,932</u>
Cash and cash equivalents, end of year	<u>\$ 604,805</u>

The accompanying notes are an integral
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2016

Reconciliation of operating margin (loss) to net cash
used by operating activities:

Operating margin (loss)	\$ (295,297)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	90,033
Miscellaneous Income	234
Increase in deferred outflows	(19,292)
Decrease in Net pension asset	21,805
Decrease in deferred inflows	(3,914)
Increase in accrued expenses	810
Increase in accrued employee leave	<u>255</u>
 Net cash used by operating activities	 <u>\$ (205,366)</u>

The accompanying notes are an integral
part of these financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grainger County Emergency Communications District is a 911 service which receives telephone calls requesting emergency services and provides for the dispatch of emergency service units. The District is included in the financial reporting of the primary government of Grainger County, Tennessee. The District meets the criteria for including an organization as a component of another government entity.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The District follows all pronouncements set forth by the Governmental Accounting Standards Board (GASB) which is the body for the establishment of governmental accounting and financial reporting policies. The District functions as a proprietary fund known as an Enterprise Fund which is financed and operated in a way similar to private business enterprises whose costs are financed through user charges. Assets and liabilities are included on the Statement of Net Position. Operating statements present increases and decreases in net assets as revenues and expenses. Proprietary funds are presented using the accrual basis of accounting where income is reported when earned and expenses are recorded at the time the liability is incurred.

Net Position

Net Position is classified into three components – 1)investment in capital assets, 2)restricted debt service, and 3)unrestricted.

Operating and Non-operating Revenues and Expenses

The operating income of proprietary funds are the revenues and expenses related to the operations of the fund. This would mean that principal revenues such as charges to customers for sales or service are presented as operating income. The costs of providing goods or services are presented as operating expenses. Depreciation and administrative cost are included as operating costs. All other revenues and costs are considered non-operating in the financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Cash and Cash Equivalents

The District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Capital Assets

Assets purchased by the District are recorded at cost. Contributed assets are recorded at fair market value at the time of contribution. Repairs and maintenance are expenses. Depreciation is calculated on the assets using the straight-line method.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Principles

The Board of Directors adopts an annual budget with all revisions having to be approved by The Board. All annual appropriations lapse at fiscal year end. The District records encumbrances as the equivalents of expenditures in the budget. This is a difference from accounting principles generally accepted in the United States of America (GAAP).

Restricted and Unrestricted Resources

The District has a policy to use unrestricted resources first and then restricted resources as they are needed.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Grainger County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Grainger County Emergency Communications District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE 2: CASH AND INVESTMENTS

Cash consisted of the following at June 30, 2016:

Cash in Bank	<u>\$ 604,805</u>
This Certificate of Deposit has an interest rate of .65%	
Certificate of Deposit	<u>\$ 201,296</u>

At June 30, 2016, \$250,000 of the District's deposits is insured by federal depository insurance and the remaining is collateralized by securities pledged to the District and held by a third party in the District's name. State law and bond requirements prohibit investments that are not secured or insured by the U.S. Government.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 3: CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2016:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Depreciation</u> <u>Rates</u>
Capital assets, being depreciated					
Communication equipment	\$ 451,427	\$ 29,764	\$ -	\$ 481,191	10-20%
Building and improvements	8,315	-	-	8,315	
Furniture and fixtures	3,982	361	-	4,343	10%
Office equipment	10,663	1,358	-	12,021	20%
Vehicles	<u>29,501</u>	<u>-</u>	<u>-</u>	<u>29,501</u>	20%
 Total capital assets, being depreciated	 <u>503,888</u>	 <u>31,483</u>	 <u>-</u>	 <u>535,371</u>	
Less accumulated depreciation for:					
Communication equipment	(182,405)	(77,883)	-	(260,288)	
Building and improvements	(5,246)	(1,188)	-	(6,434)	
Furniture and fixtures	(517)	(1,157)	-	(1,674)	
Office equipment	(3,388)	(3,905)	-	(7,293)	
Vehicles	<u>(9,834)</u>	<u>(5,900)</u>	<u>-</u>	<u>(15,734)</u>	
 Total accumulated depreciation	 <u>(201,390)</u>	 <u>(90,033)</u>	 <u>-</u>	 <u>(291,423)</u>	
 Total capital assets, being depreciated, net	 <u>302,498</u>	 <u>(58,550)</u>	 <u>-</u>	 <u>243,948</u>	
 Total net capital assets	 <u>\$ 302,498</u>	 <u>(58,550)</u>	 <u>-</u>	 <u>243,948</u>	

Depreciation charged to expense totaled \$90,033 for the year ended June 30, 2016.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 4: RISK MANAGEMENT

The District is exposed to various risks of loss related to natural disasters, errors and omissions, injuries to employees, and theft, damage, or destruction of assets. The District does purchase commercial insurance for all of these risks. There have been no claims that have exceeded the insurance coverage during the past three years.

NOTE 5: COMPENSATED ABSENCES

Unpaid vacation leave totaled \$ 13,193 for the fiscal year ended June 30, 2016. Employees of the District may accrue annual vacation leave up to a maximum of 192 hours. Full-time employees can accumulate up to 120 hours of vacation time depending upon the years of service. The breakdown is below:

<u>Hours Earned</u>	<u>YEARS OF SERVICE</u>
40 HOURS	1- 2
80 HOURS	3-10
120 HOURS	11-15

Full-time employees earn sick pay at one day per month for a total of 12 days per year. These days can be accumulated and carried forward without any limitations. Under the Tennessee Consolidated Retirement System, unused sick leave credit days can be counted toward their retirement to the extent allowed. No accrual of sick leave has been made since management's belief is that sick leave does not vest.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 6: RETIREMENT

Plan description. Employees of Grainger County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service.

Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A Cola is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>6</u>
	<u>17</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Grainger County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Grainger County Emergency Communications District was \$5,917 based on a rate of 2.21 percent of covered payroll. By law, employer contributions required to be paid. The TCRS may intercept Grainger County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NET PENSION LIABILITY (ASSET)

Grainger County Emergency Communications District's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected</u>	
	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Grainger County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to a actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

CHANGES IN THE NET PENSION LIABILITY (ASSET)

		Increase (Decrease)	
	Total Pension	Plan	Net Pension
	Liability (Asset)	Fiduciary Net	Liability
	(a)	Position	(Asset)
		(b)	(c)
Balance at 6/30/14	\$207,457	\$252,808	(\$ 45,351)
Changes for the year:			
Service Cost	\$ 19,592		\$ 19,592
Interest	\$ 17,024		\$ 17,024
Differences between expected and actual experience	\$ 11,648		\$ 11,648
Contributions – employers		\$ 5,917	(\$ 5,917)
Contributions - employees		\$ 12,915	(\$ 12,915)
Net investment income		\$ 8,033	(\$ 8,033)
Benefit payments, including refunds of employee contributions	(\$ 137)	(\$ 137)	
Administrative expense		(\$ 406)	\$ 406
Other changes			
Net changes	\$ 48,127	\$ 26,322	\$ 21,805
Balance at 6/30/15	\$255,584	\$279,130	(\$ 23,546)

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Grainger County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Grainger County Emergency Communications District's net pension liability (asset)	\$ 25,173	(\$ 23,546)	(\$60,486)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense. For the year ended June 30, 2016, Grainger County Emergency Communications District recognized pension expense of \$4,477.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Grainger County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources <u> </u>	Deferred Inflows of Resources <u> </u>
Differences between expected and actual experience	\$ 11,246	
Net difference between projected and actual earnings on pension plan investments	\$ 9,290	\$ 11,741
Contributions subsequent to the measurement date of June 30, 2015	<u>\$ 5,878</u>	
Total	<u><u>\$ 26,414</u></u>	<u><u>\$ 11,741</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

Year Ended June 30:

2017	\$16
2018	\$16
2019	\$16
2020	\$ 3,930
2021	\$ 1,607
Thereafter	\$ 3,214

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2016, Grainger Count Emergency Communications District reported a payable of \$698 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**SCHEDULES OF CHANGES IN GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
Total pension liability (asset)		
Service charge	\$ 19,198	\$ 19,592
Interest	\$ 15,001	\$ 17,024
Changes in benefit terms	-	-
Differences between actual & expected experience	\$ 1,356	\$ 11,648
Change of assumptions	-	-
Benefit payments, including refunds of employee contrib	(\$ 17,825)	(\$ 137)
Net change in total pension liability (asset)	<u>\$ 17,720</u>	<u>\$ 48,127</u>
Total pension liability (asset) –beginning	<u>\$ 189,737</u>	<u>\$ 207,457</u>
Total pension liability (asset)-ending (a)	<u><u>\$ 207,457</u></u>	<u><u>\$ 255,584</u></u>
 Plan fiduciary net position		
Contributions – employer	\$ 7,737	\$ 5,917
Contributions - employee	\$ 11,537	\$ 12,915
Net investment income	\$ 35,800	\$ 8,033
Benefit payments, including refunds of employee contrib	(\$ 17,825)	(\$ 137)
Administrative expense	(\$ 624)	(\$ 406)
Other	-	-
Net change in plan fiduciary net position	<u>\$ 36,985</u>	<u>\$ 26,322</u>
 Plan fiduciary net position-beginning	<u>\$ 215,823</u>	<u>\$ 252,808</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 252,808</u></u>	<u><u>\$ 279,130</u></u>
 Net Pension Liability (asset)-ending (a) – (b)	<u><u>(\$ 45,351)</u></u>	<u><u>(\$ 23,546)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 121.86%	 109.21%
 Covered payroll	 \$ 230,743	 \$ 267,736
 Net Pension liability(asset) as a % of covered payroll	 (19.65)%	 (8.97)%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years info is available.

**SCHEDULE OF GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT CONTRIBUTION
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 7,737	\$ 5,917	\$ 5,878
Contributions in relation to the actuarially determined contribution	<u>\$ 7,737</u>	<u>\$ 5,917</u>	<u>\$ 5,878</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$230,743	\$267,736	\$287,670
Contribution as a percentage of covered payroll	3.35%	2.21%	2.04%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rate for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	8 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2016

Description	Balance		Receipts and Loans Received	Expenditures and Loans Paid	June 30, 2016 Unexpended (Receivable)
	Project Number	CDFA Number			
Grants:					
Tennessee Emergency Communications Board- Monthly Recurring Expenses	N/A	N/A	\$ 11,136	\$ 11,136	\$ -
Total Grants			\$ 11,136	\$ 11,136	\$ -

*Schedule is presented on the full accrual basis of accounting.

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended June 30, 2016

Note: The budget and the accounting basis is different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.

	<u>Budgeted Amount</u>		Actual	Difference
	Original	Final	Amounts 2016	Comparison 2016
Operating Revenue				
TECB Distribution of 911 Surcharges				
Base Amount	388,560	388,560	388,560	-0-
Total Operating Revenue	388,560	388,560	388,560	-0-
Operating Expenses				
Salaries and Wages:				
Director	50,000	50,000	50,000	-0-
Administrative Personnel	38,000	38,000	38,000	-0-
Dispatchers/Telecommunicators	275,500	275,500	267,671	(7,829)
Mapping/Address Personnel	20,500	20,500	16,083	(4,417)
Part-time Personnel	15,500	15,500	13,306	(2,194)
Pay Bonuses	4,700	4,700	4,699	(1)
Longevity Pay	7,500	7,500	6,950	(550)
Subtotal Salaries and Wages	411,700	411,700	396,709	(14,991)
Employee Benefits:				
Social Security	25,000	25,000	24,596	(404)
Medicare	6,300	6,300	5,752	(548)
Life Insurance	300	300	189	(111)
Medical Insurance	49,900	49,900	47,787	(2,113)
Unemployment Compensation	2,200	2,200	1,146	(1,054)
Pension Expense	7,000	7,000	4,477	(2,523)
Subtotal Employee Benefits	90,700	90,700	83,947	(6,753)
Total Salaries and Employee Benefits	502,400	502,400	480,656	(21,744)

The "Difference" column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)
For the Year Ended June 30, 2016

Other than Payroll Operating Expenses:

Contracted Services

Advertising	100	100	-0-	(100)
Audit Services	7,800	7,800	7,898	98
Accounting/Bookkeeping	400	400	-0-	(400)
Contracts with Private Agencies	6,500	6,500	9,115	2,615
Data Processing Services	800	800	-0-	(800)
Fees Paid to Service Providers	28,500	28,500	27,177	(1,323)
Maintenance Agreements	35,000	35,000	30,980	(4,020)
Maintenance-Comm Equip	3,500	3,500	3,104	(396)
Maintenance – Vehicles	1,200	1,200	160	(1,040)
Maintenance – Office Equip	200	200	-0-	(200)
Fuel – Vehicles	1,500	1,500	818	(682)

Supplies, Materials and Maintenance

Office Supplies	2,200	2,200	3,090	890
Data Processing Supplies	300	300	120	(180)
Postage	400	400	377	(23)
Uniforms and Shirts	1,500	1,500	1,437	(63)
Utilities – Electric	1,000	1,000	1,056	56
Utilities – Natural Gas	300	300	210	(90)
Utilities – General Telephone	8,800	8,800	8,667	(133)
Utilities – Cell Phones	2,200	2,200	1,781	(419)

Other Charges

Bank Charges	100	100	50	(50)
Board Meetings	200	200	50	(150)
Dues and Memberships	900	900	569	(331)
Employee Testing	200	200	-0-	(200)
Workman's Compensation	1,500	1,500	899	(601)
Insurance – All	10,500	10,500	10,570	70
Legal Notices	100	100	-0-	(100)
Licenses and Fees	700	700	400	(300)
Premiums on Surety Bonds	800	800	525	(275)
Public Education	1,000	1,000	991	(9)
Service Awards	1,500	1,500	754	(746)
Training Expenses	3,200	3,200	2,821	(379)
Travel Expenses	7,500	7,500	5,637	(1,863)
Depreciation	55,000	55,000	90,033	35,033

Total Other Than Payroll Expenses	185,400	185,400	209,289	23,889
Total Operating Expenses	687,800	687,800	689,945	2,145

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)
For the Year Ended June 30, 2016

Non-Operating Revenues (Expenses):

Interest Income	650	650	834	(184)
Contributions from Primary Governments	212,500	212,500	212,500	-0-
Contributions – Bean Station	18,250	18,250	18,250	-0-
Contributions – Blaine	10,000	10,000	10,000	-0-
Contributions – Rutledge	12,000	12,000	12,000	-0-
TECB Reimbursements	11,069	11,069	11,136	(67)
Miscellaneous Income	<u>1,000</u>	<u>1,000</u>	<u>236</u>	<u>764</u>
Total Non-operating Revenue (Expenses)	<u>265,469</u>	<u>265,469</u>	<u>264,956</u>	<u>513</u>

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

June 30, 2016

BOARD OF DIRECTORS

Jeff Atkins
Woody Roach
Martha Ann Cameron
Gary Wayne Dalton
Sarah Fennell
James Harville
Dr. Mark Holland
Mike Holt
Bradley Spoone

Chairman
Vice Chairman
Secretary
Member
Member
Member
Member
Member
Member

T. JOY WILDER CPA

P.O. BOX 2001
6050 W ANDREW JOHNSON HWY
MORRISTOWN, TN 37616

Phone 423-587-2114
Fax 423-587-2299

Member AICPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Grainger County Emergency Communications District
Rutledge, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of Grainger County Emergency Communications District (the District), a component unit of Grainger County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 20, 2016.

A *deficiency in internal control* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "J. Gary Wilkins CPA". The signature is written in a cursive, flowing style.

Morristown, Tennessee
December 20, 2016

**GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no prior year findings.